

Greenwire

11. **FINANCE:** VC backing for clean tech surged in 2Q (08/03/2010)

Nathanial Gronewold, E&E reporter

NEW YORK -- U.S. venture capital for renewable energy and clean technology recovered strongly in the second quarter to the highest level in two years, according to an analysis released today by Ernst & Young.

VC cash totaled \$1.5 billion during the quarter, a 63.8 percent increase over the same period last year and roughly in line with third-quarter totals in 2008, the report says. The money was raised in 65 separate financing rounds, mostly later-stage pre-commercialization deals in California.

The expanding electric vehicle industry is coming to dominate VC financing, followed by solar technology and biofuels. The top 10 deals accounted for two-thirds of all capital raised, drawing more than \$993 million from venture capitalists eager to cash in on the next big startup or technological breakthrough.

Venture capitalists have brokered 142 separate financing rounds for clean-tech companies this year, compared to 106 deals for the same period a year ago. They've invested almost \$2.2 billion during the first half of 2010, compared to \$1.3 billion the same period last year and \$3.5 billion for all of 2009.

"Our thinking is that the evidence that companies and investors are putting this money into companies to bridge them to some type of strategic transaction," Ernst & Young clean-tech director Jay Spencer said in an interview. "If you're a venture capital company, it's a bridge to get you to some type of exit, whether it be through an IPO, et cetera."

Spencer said growing VC enthusiasm for electric vehicles shows the industry is now at or close to reaching a "tipping point." VC investors seem to believe that electric vehicles will eventually achieve commercial success, so they are making strategic investments that could help make that happen, the report says.

"Somewhere in the neighborhood of \$400 million, I think just a little bit south of that, went into the automotive industry," Spencer said. "That said, there's still a lot to do to get the electric vehicle to market."

That tally includes a \$350 million second-round investment in Palo Alto, Calif.-based Better Place, the largest deal of the quarter. Better Place sells support infrastructure for electric vehicle manufacturing. Fisker Automotive, the Irvine, Calif., electric vehicle maker, was also singled out for attracting \$35 million during the quarter.

The quarter's second-largest financing deal went to BrightSource Energy Inc., which lured \$180 million after it successfully earned nearly \$1.4 billion in loan guarantees from the Department of Energy to build a solar power plant in the Mojave Desert.

Energy-efficiency technology companies also did well in the quarter, raking in \$200 million in 15 separate financing rounds. The volume of cash going to biofuels investments rebounded quickly, expanding by 517 percent over the second quarter of 2009 and drawing more than \$265 million.

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